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Maurice P. Talbot, Jr.  
Executive Director-Federal Regulatory

Suite 900  
1133 - 21st Street, N.W.  
Washington, DC 20036  
202 463-4113  
Fax: 202 463-4198

September 4, 1996

Ex Parte

Mr. William F. Caton  
Acting Secretary  
1919 M Street, NW, Room 222  
Washington, D.C. 20554

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SEP 4 - 1996  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

RE: CC Docket No. 96-112, Allocation of Costs Associated with LEC  
Provision of Video Programming Services

Dear Mr. Caton:

Today L. Darby, Consultant, Darby Associates, M. Tanner and the undersigned, representing BellSouth, met with A. Mulitz of the Common Carrier Bureau staff to discuss BellSouth's position regarding the above-referenced proceeding. The discussion was consistent with BellSouth's position already filed in this proceeding. The attached document was provided to Mr. Mulitz during the discussion.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two (2) copies of this notice and the attachment are being filed with the Secretary of the FCC.

Sincerely,



Maurice P. Talbot, Jr.  
Executive Director - Federal Regulatory

Attachment  
cc: A. Mulitz

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# Cable Rates Are Up an Average 10.4% This Year

By ALBERT R. KARR

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Cable-television rates are soaring again — up an average of 10.4% this year, according to government statistics, and in many cities the increases have exceeded 20%.

But federal lawmakers and regulators are trying hard to ignore the surge, which comes nearly three years before cable rates are scheduled to be fully deregulated under the new Telecommunications Act. That is a major change in attitude since 1992 when Congress overwhelmingly passed a bill to rein in skyrocketing cable rates, and the Federal Communications Commission followed up with rules it claimed could cut rates 17%, declaring that "hyperinflation of cable rates is dead and gone."

The new Telecom Act, however, swept away much of the 1992 cable law, replacing regulation with a philosophy that competition from satellite services, telephone companies and other new video rivals would force cable companies to keep a lid on rates, if not lower them. Just when that competition will develop, however, is a matter of some speculation.

In the absence of tough competitors, Englewood, Colo.-based Tele-Communications Inc., the nation's largest cable company, has boosted rates about 13.5% this year. Time Warner Cable, a unit of New York-based Time Warner Inc., raised rates about 10%. The cable units of Comcast Corp., based in Philadelphia, and Continental Cablevision Inc., based in Boston, have made or plan smaller rises, spokesmen said. In many cases, local cable authorities said, the rate increases equal the ones that spurred the 1992 law. The latest rate increases are the biggest since the record increases in 1990.

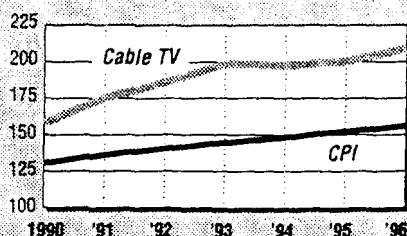
## Complaints From Subscribers

July data from the Labor Department's Bureau of Labor Statistics show that cable-TV rates have climbed at an annual pace of 10.4%, compared with 3.5% for consumer prices overall. Last year, cable costs rose 4.1% after dropping 2.6% in 1994, the year the FCC crackdown on rates was fully in

## Watch That!

### Faster than CPI

A comparison of the average annual consumer price index and cable-TV price index trends since 1990. December 1983=100



\*First seven months

Sources: Bureau of Labor Statistics, U.S. Labor Dept.

### Rising Revenues—and Rates

Estimated average monthly revenues per cable TV subscriber:

June 1996	\$36.02
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June 1995	33.88
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Estimated average monthly rate for combined basic and expanded basic program packages:

June 1996	\$24.57
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June 1995	23.07
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Source: Paul Kagan Associates

effect. Overall consumer prices rose 2.5% in 1995 and 2.7% in 1994.

Consumers aren't happy with the latest trend. Since the Telecom Act was enacted in February, the cable authority in Hillsborough County, Florida, has received more than 100 complaints from subscribers to the Time Warner Cable system, said Frank Turano, the county's cable communications director. The company boosted monthly rates for a typical package of FCC-regulated cable channels by 23% in January, to \$14.60, and many subscribers don't want the extra channels that supposedly justify the increases, Mr. Turano told the FCC in a complaint letter filed in April.

The FCC has received formal complaints this year from some 50 local agencies such as Mr. Turano's. Jeffrey Allred, assistant city manager for LaVerne, Calif., said in one complaint that the May 1 rate increases imposed by Century Communications Corp., based in New Canaan, Conn., are "excessive, particularly considering the fact that no new channels were added." In Santa Monica, Calif., retirees Clyde and Katherine Walker and Wally Grayson wrote to their local cable authority complaining that Century's 30% rate increase to \$28.16 a month is "outrageous" and "arbitrary."

The new law shut the FCC's once-busy

consumer complaint window, and required consumers to file complaints with their local cable authorities. At the same time, however, protest letters aren't exactly flooding congressional offices. "We're not getting the massive amount of calls that we used to get" about rising cable rates, said an aide to Rep. Edward Markey (D., Mass.), a leader of the effort to regulate cable rates in 1992. Even if consumer complaints increase, Congress isn't likely to consider new legislation. While lawmakers could ask the FCC to "recalibrate" its rules, "it would be a painful process that would end just as competition [for cable TV] is arriving," the Markey aide said.

## Satellite Services

The cable industry and its political supporters say cable companies must be mindful of competitive threats. Direct broadcast satellite companies, such as DirecTV Inc. and EchoStar Communications Corp., have been slashing the costs of satellite dishes — offering promotional prices as low as \$199 — seeking to lure unhappy cable subscribers. Bob Thomson, TCI's vice president for government affairs, said cable service and rates are still better than satellite services. Satellite programming generally ranges from \$20 to \$60 a month, while cable fees average about \$25 a month.

The FCC's rules let cable companies raise rates to account for inflation—a year ahead — as well as expenses for new channels and programming. Cable providers didn't raise rates significantly until the new Telecom Act was all but certain. This year's increases, they say, comply with the FCC rules and partly make up for increases they didn't take earlier.

Meantime, the FCC appears to have washed its hands of the situation. "We're just following the new law," said FCC Chairman Reed Hundt. "I haven't had anyone tell me there have been any violations." Consumers should take their